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December 19, 2005

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RECEIVED
2005 DEC 19 11 46 22
COMMUNICATIONS SECTION

Re: Request for Extended Calling Area from Bluffton/Sun City Hilton Head
Area to Hilton Head Island

PSC Docket No. 2005-204-C

Dear Mr. Terreni:

The Commission, in Order 2005-382, requested ORS to conduct an investigation into the reasonableness of establishing an extended calling area from the Bluffton/Sun City area to Hilton Head Island. ORS has completed its investigation and has attached its findings.

Enclosed, please find the original plus fifteen copies of the redacted report and a Motion Requesting that Materials be Treated as Confidential. Additionally, in a separate envelope, ORS is submitting the original and fifteen copies of the complete, unredacted report which contains the information ORS requests to be filed under seal. Please date stamp the extra copy provided of each filing and return them with our courier.

Thank you for your assistance. Please let me know if you have any questions or if I can be of any further assistance.

Sincerely,

Benjamin P. Mustian

Enclosures

cc: Mr. Donald A. Cotnoir
Mr. Bob Labonte, Hargray Communications
M. John Bowen, Jr., Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2005-204-C

IN RE: Request for Extended Calling Area)
From Bluffton/Sun City to Hilton)
Head Island)

MOTION REQUESTING THAT
MATERIALS BE TREATED AS
CONFIDENTIAL

SC
COMMISSION
JAN 17 PM 4:32
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The Office of Regulatory Staff ("ORS") respectfully requests that the Public Service Commission of South Carolina ("Commission") treat the materials accompanying this motion as confidential. This motion is made on the following grounds:

1. The accompanying materials pursuant to Commission Order 2005-382 in which the Commission requested that ORS conduct an investigation into the reasonableness of establishing an extended calling area from the Bluffton/Sun City area to Hilton Head Island. As part of its investigation, ORS requested certain information from telecommunications companies operating in that area. The companies provided data and related backup documentation which they deem confidential as it contains information regarding the companies' respective operations. The companies believe, in light of the more competitive telecommunications environment, it is not appropriate to make detailed information regarding the companies' operations publicly available. Further, they assert that access to this information could give actual and potential competitors an unfair competitive advantage.

2. Similar data and backup documentation have previously been provided under seal to the Commission in Docket No. 1997-239-C, and the Commission has afforded such similar material confidential treatment. Thus, confidential treatment of the data and backup

documentation accompanying this motion is consistent with the Commission's prior rulings and prior treatment of similar information.

3. The accompanying materials are filed in a sealed envelope with each page marked "Confidential" in red ink.

WHEREFORE, the Office of Regulatory Staff respectfully requests that the Commission treat the accompanying materials as confidential.

OFFICE OF REGULATORY STAFF

By: 

Benjamin P. Mustian
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December 19, 2005

Bluffton to Hargray Extended Area Service

Pursuant to Commission Order No. 2005-382, the Public Service Commission of South Carolina instructed the Office of Regulatory Staff (ORS) to investigate the cost of providing Extended Area Service (EAS) from the Bluffton/ Sun City Hilton Head area to the Hilton Head Island area. In addition, the ORS was requested to offer alternatives for the Commission's consideration.

The companies most directly impacted by the provision of this requested Extended Area Service are Hargray Telephone Company and Bluffton Telephone Company which have common ownership and management. In response to the Commission Order, ORS sent a letter to Hargray Telephone Company requesting cost and community of interest information associated with the proposed calling arrangement. To accomplish this task, Bluffton Telephone contracted with John Staurulakis, Inc. (JSI) to perform the requested study.

In preparation of this report, the ORS has reviewed a total of three studies. The first two studies were modified in response to questions for additional information from the ORS. ORS was subsequently notified of errors in the submitted reports and, as a result, a corrected study was submitted on December 5, 2005. Additionally, JSI submitted Community of Interest and cost information in response to the request of ORS. ORS also reviewed the current tariffs of Bluffton Telephone Company to determine the current availability of optional calling plans.

Bluffton Telephone offers two local dialing plans. One is a Measured Extended Area Service (MEAS) which provides, for the most part, a seven digit dialing arrangement to exchanges in the Savannah LATA. For calls originating from Bluffton, South Carolina, the calling scope associated with Measured Extended Area Service includes the following exchanges:

Hilton Head, SC	Hardeeville, SC	Savannah, GA
Pooler, GA	Tybee Island, GA	Beaufort, SC
St. Helena, SC	Laurel Bay, SC	Ridgeland, SC

An exception to the seven digit dialing arrangement is calling the 912 NPA in the Savannah Metropolitan area which requires ten-digit dialing. Specific subscription to this service is not required; however, when dialing these areas on a seven digit basis, the call is rated at four (4) cents per minute for the duration of the call.

In addition to MEAS, Bluffton Telephone Company offers an optional flat rate (unmeasured) calling plan. This plan, titled Expanded Flat Rate Service, provides unlimited calling from the Bluffton Exchange to the Hargray Telephone Company's exchanges. This plan is priced at \$10.00 per month per line for residential customers and \$20.00 per month per line for business customers. These monthly charges are in addition to the monthly charge for basic exchange services. For customers subscribing to this service and wishing to have detailed call information, there is an additional monthly charge for such service. Copies of the tariff pages describing the Expanded Flat Rate Service and the Measured Extended Area Service have been attached to this report for easy reference.

Generally, in the context of a request for review of EAS, costs associated with the implementation of EAS are comprised of two components. These costs are revenue losses to be realized by the company if the proposed EAS is implemented, and the costs associated with upgrading the company's network to handle stimulated call volumes associated with replacing optional calling and usage sensitive services with a usage insensitive unlimited calling arrangement. The December 5, 2005, study prepared by JSI reported projected annual costs of \$[REDACTED] to implement EAS in this area. This cost was comprised of revenue losses associated with switched access services, billing and collections, and displaced revenues associated with MEAS. In addition, JSI included capital costs associated with upgrades of the network and annual costs associated with the preparation of the study. If the referenced costs were recovered from all residence and business customers on monthly basis, the resulting monthly cost per access line would be \$[REDACTED]. This cost information does not appear to include an estimate of the revenue losses associated with replacement of the current optional unlimited calling plan if EAS were implemented between the Hargray and Bluffton exchanges. In addition this rate does not maintain the relationship between residential and business classes of service, where the business rate is two times the residential rate.

In its cover letter, the Bluffton Telephone Company reported that nearly [REDACTED] customers had subscribed to the unlimited calling Expanded Flat Rate Service. Bluffton further stated that it did not believe that the majority of its customers are willing to pay an additional \$[REDACTED] per month to have local calling to the Hargray exchanges considering it offers this service on an optional basis at \$10.00 per line for residential customers and \$20.00 per line for business customer, and only about one third of their customers subscribe. There are approximately [REDACTED] customers who do not subscribe to this optional calling plan.

In complying with the Commission's request for alternatives to EAS, ORS extended the opportunity to make such recommendations to Bluffton Telephone Company. To date, Bluffton Telephone Company has not suggested additional alternatives and, therefore, ORS is unable to make alternative recommendations.

As a result of this study, ORS makes the following recommendations:

- The Office of Regulatory Staff recommends that the \$[REDACTED] projected cost per line be recalculated in order to maintain the relationship between the pricing of residential and business lines. This recalculation should be based on June 2005 data.
- While the Bluffton Telephone Company believes that the majority of its customers are unwilling to pay an additional \$[REDACTED] per month per access line for unlimited calling to the Hargray exchanges, ORS's position is that the best determinant of the consumers interest would be through the balloting of the Bluffton customers. ORS recommends that after the amount is recalculated by Bluffton as stated above, the Commission should require the customers served in this area to be balloted to determine the desire for such an offering.

GENERAL CUSTOMER SERVICES TARIFF

BLUFFTON TELEPHONE COMPANY, INC.
BLUFFTON, SOUTH CAROLINA

SECTION 3
4TH REVISED PAGE 2
CANCELS 3RD REVISED PAGE 2

EFFECTIVE DATE: January 1, 1999

S3. BASIC LOCAL EXCHANGE SERVICE

3.2 Flat Rate Service

3.2.1 Expanded Flat Rate Service – Residential

- a. Under the Residential Expanded Flat Rate Service Plan, a Residential Customer will have unlimited Expanded Flat Rate Service to all Hargray and Bluffton Telephone Company's exchanges. The subscribers who choose this service will receive unlimited unmeasured calling between the exchanges for a flat monthly charge of **\$10.00** that will be in addition to the basic monthly service charge.

3.2.2 Expanded Flat Rate Service – Business (C)

- a. Under the Business Expanded Flat Rate Service Plan, a Business Customer (which includes public and semi-public telephone access service lines and customer-owned payphones) will have unlimited calling to Hilton Head and Hardeeville Exchanges. The cost for this service is a flat monthly charge of **\$20.00**. This charge is in addition to the basic monthly service charge.
- b. The Optional Extended Area Service as noted in 3.7 will be discontinued 11/1/98. (C)

3.2.3 Detail Billing (N)

- a. Detail Billing is available for both of the above plans. The Detail Billing includes date of call, called telephone number, time of day and length of call. The customer must request a Detailed Bill at least thirty (30) days in advance of the period for which detail is desired. (N)

Rate

Per Customer Bill per Month	\$ 1.75
Charge per message of Billing Detail	\$.005

- b. Records only service ordering of \$12.00 will apply where Detail Billing (N) is requested subsequent to the establishment of Basic Local Exchange Service.

APPROVED FOR FILING
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

JAN 05 1999

Larry E. Winkler
EXECUTIVE DIRECTOR

GENERAL CUSTOMER SERVICES TARIFF

BLUFFTON TELEPHONE COMPANY, INC.
BLUFFTON, SOUTH CAROLINA

SECTION 3
4TH REVISED PAGE 11
CANCELS 3RD REVISED PAGE 11

EFFECTIVE DATE: July 24, 2001

S-3 BASIC LOCAL EXCHANGE SERVICE

S3.9 Measured Extended Area Service (MEAS)

S3.9.1 General

- a. **Measured Extended Area Service (MEAS)** provides usage sensitive billing for seven-digit direct dial calls to locations outside a customer's normal flat rate local calling area, with the exception of NPA 912, Metropolitan Savannah which requires ten-digit dialing, between the exchanges specified in Paragraph S3.9.1f.
- b. **MEAS** is provided by **Bluffton Telephone Company** between exchanges specified in Section S3.9.1f located in Beaufort, Jasper and Chatham Counties subject to availability of facilities and billing capabilities.
- c. **MEAS** will apply to all business and residence individual lines, automatic and manual(C) Access lines, semi-public Telephone Service, Public Telephone access lines and customer owned payphones.
- d. The charges for **Measured Extended Area Service (MEAS)** shall be those shown in S3.9.1f and are in addition to charges for local exchange flat Rate Service shown in paragraph S3.9.2a.
- e. **MEAS** usage rate elements are defined as follows:
 1. Minutes of use – A charge per minute for the duration of the Call. Minutes and fractions of minutes are accumulated monthly with only the monthly total being rounded up to the next whole minute.
- f. Listed below are the exchanges associated with **Measured Extended Area Service (MEAS)**.

Exchange

NXX

Bluffton, S.C.

Those NXXs served by Bluffton Telephone Company and identified in the Hilton Head, Bluffton, Hardeeville phone book as Bluffton

APPROVED FOR FILING
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

JUL 24 2001

Lang E. Walsh
EXECUTIVE DIRECTOR

BLUFFTON TELEPHONE COMPANY, INC.
BLUFFTON , S.C.
Effective: October 28, 1996

SECTION 3
Fourth Revised Page 11.1
Cancels Third Revised Page 11.1

S-3 BASIC LOCAL EXCHANGE SERVICE

S3.9 Measured Extended Area Service (Cont'd)

S3.9.1. General (Cont'd)

Hilton Head, S.C.

Hilton Head Main
and Daufuskie

Sea Pines

Hilton Head North

Those NXXs served by
Bluffton Telephone Company
and identified in the Bluffton
Hargray, Hardeeville phone
book as Hilton Head, S.C.

Hardeeville, S.C.

Those NXXs served by
Bluffton Telephone Company
and identified in the Bluffton,
Hargray, Hardeeville phone book
phone book as Hardeeville.

Savannah, GA.

Pooler, GA.

Tybee Island, GA.

Those NXXs served by (C)
Southern Bell, and identi-
fied in the Savannah Georgia
Telephone Directory as
Metropolitan Savannah. Those
areas are normally identified
as Savannah, Pooler and Tybee
Island Georgia.

Beaufort, S.C.

St. Helena, S.C.

Laurel Bay, S.C.

Ridgeland, S.C.

Those NXXs served by (C)
Sprint - United Telephone
and identified in the Beaufort
and Ridgeland Telephone
Directories. Those areas are
are normally identified as
Beaufort, St. Helena, Laurel
Bay, and Ridgeland, S.C.

APPROVED
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

OCT 2 1996

WILLIAM L. BROWN
JULY 1996

GENERAL CUSTOMER SERVICES TARIFF

BLUFFTON TELEPHONE COMPANY, INC.
BLUFFTON, SOUTH CAROLINA
EFFECTIVE: Upon Approval of the Commission

SECTION 3
4th Revised Page 11.2
Cancels 3rd Revised Page 11.2

S-3 BASIC LOCAL EXCHANGE SERVICE

S3.9.2 Rates

- a. Usage charges are applicable for all Measured Extended Area Service (MEAS) minutes are specified below:

<u>Period</u>	<u>Hours</u>	<u>Rate</u> <u>Each</u> <u>Minute</u>	
Weekday	8:00 A.M. - 5:00 P.M. (Monday thru Friday)	\$.04	(R)
Weekday Evenings	5:00 P.M. - 11:00 P.M. (Monday thru Friday)	\$.04	(R)
Week night and Weekends	11:00 P.M. Friday thru 8:00 A.M. Monday	\$.04	

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THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

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